



092724

UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

CIVIL DIVISION

FEB 20 1969

Dear Mr. Bacon:

We have made a review of the administration of selected seized property activities of the Alcohol and Tobacco Tax Division (A&TTD), redesignated the Alcohol, Tobacco and Firearms Division effective December 13, 1968, at its branch offices in Charlotte, North Carolina, and Richmond, Virginia. The review was made pursuant to the Budget and Accounting Act of 1921 (31 U.S.C. 53) and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Our review was directed primarily toward the procedures followed by A&TTD in seizing property used or intended for use in making or transporting illegally distilled spirits. Generally, we found that these procedures were satisfactory. However, we noted that there is an opportunity for reducing costs relating to the seizure of vehicles having little value. A brief summary of this matter follows.

Section 7301 (e) of the Internal Revenue Code (26 U.S.C. 75) provides that any conveyance used or intended for use in transporting taxable property for the purpose of selling the property to avoid the payment of the imposed tax may be seized for forfeiture to the U. S. Government. In taking possession of property found at illegal still sites, A&TTD has issued instructions stating that it is not mandatory to either seize or destroy every article which appears to have been used or intended for use in the violation of internal revenue laws. This instruction points out that the Government is not compelled to incur needless expense for the removal, storage, and sale of property having little or no value.

During calendar year 1967, A&TTD on a national basis seized for forfeiture about 1,460 automobiles, trucks and other type conveyances as a result of violations relating to illegally distilled spirits. Of this number, 240 vehicles, or about 16 percent, were seized in the States of North Carolina and Virginia.

7/4474

092724

Branch office records at Charlotte and Richmond did not show all of the costs relating to the seizing, storing, and selling of such vehicles. However, on the basis of data furnished to us by A&TTD personnel, the cost relating to these functions averaged about \$50 a vehicle. This cost generally included expenditures for storage, advertising, and the labor involved in seizing and selling the vehicles at public auction. The average of \$50 a vehicle did not include indirect expenses, such as, costs of routine clerical or record-keeping work.

Our review of data relating to vehicles seized in North Carolina and Virginia showed that 190 vehicles were sold at public auction during calendar year 1967. The proceeds from the sale of these vehicles totaled about \$25,600, an average of about \$135 a vehicle. However, further analyses showed that 60 of the vehicles, or about 32 percent, were sold for a total of only about \$1,900. Many of these were sold for nominal amounts ranging from \$1 to \$20.

On the basis that the expense to process each vehicle is at least \$50, the estimated cost involved in seizing and disposing of the 60 low-value vehicles amounted to \$3,000. Consequently, it would appear that in these instances, after taking into account the sales proceeds, a savings of about \$1,100 could have been realized had the vehicles not been seized. Since our review was performed in the States of North Carolina and Virginia only, it is likely that the opportunity for savings on a national basis is considerably more than \$1,100.

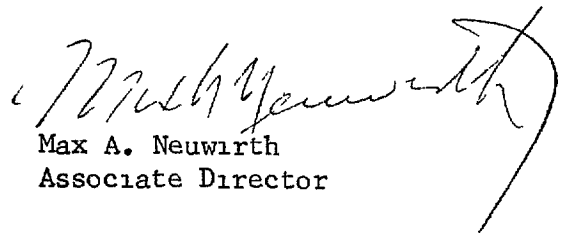
With respect to the foregoing, we found no criteria which provided for the matching of estimated seizure and disposal costs with potential selling prices. We believe that if such guidelines were available many low-value vehicles would not be seized.

In view of our findings, it appears worthwhile to establish specific monetary criterion for use by investigating personnel in deciding which vehicles should or should not be seized. We suggest that this standard be established at a level which would make seizure impractical in view of the cost that would be involved in ultimately disposing of seized vehicles. In this respect, we would appreciate being advised of the action you plan to take concerning this matter.

A copy of this report is being furnished the Director, Alcohol, Tobacco and Firearms Division.

We wish to acknowledge the courtesies and cooperation shown our representatives during the review.

Sincerely yours,



Max A. Neuwirth  
Associate Director

Mr. Donald W. Bacon  
Assistant Commissioner (Compliance)  
Internal Revenue Service  
Treasury Department

**BEST DOCUMENT AVAILABLE**